

Message Text

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PAGE 01 MANILA 13299 01 OF 03 030229Z
ACTION TRSE-00

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R 030200Z AUG 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9523
INFO AMEMBASSY CANBERRA
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LIMITED OFFICIAL USE SECTION 01 OF 03 MANILA 13299

USADB

FOR NAC AGENCIES

EO 11652:NA
TAGS: EAID, EFIN, ADB
SUBJECT: TECHNICAL ASSISTANCE FOR A SOUTH PACIFIC
- AGRICULTURE SURVEY

SUMMARY: ADB MANAGEMENT PROPOSES 257,000 DOLLARS IN
GRANT FUNDS FROM BUDGET RESOURCES PROVIDED UNDER SERVICES
TO MEMBER COUNTRIES TO FINANCE THE COST OF THE PROPOSED
SOUTH PACIFIC AGRICULTURE SURVEY. THE SURVEY TEAM WILL
INCLUDE EXPERTS IN A VARIETY OF DISCIPLINES AND WILL BE
GUIDED BY TERMS OF REFERENCE TO BE PREPARED IN CONJUNCTION
WITH AN ADVISORY GROUP OF FIVE OR SIX PERSONS. THE SURVEY
IS A COUNTERPART TO THE LARGER AND MORE COMPREHENSIVE
SECOND ASIAN AGRICULTURE SURVEY (AAS-2) CONDUCTED BY THE
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PAGE 02 MANILA 13299 01 OF 03 030229Z

BANK IN 1976. THE PRINCIPAL OBJECTIVE OF THE SURVEY IS
TO IDENTIFY SPECIFIC DEVELOPMENT POSSIBILITIES FOR INVEST-
MENT IN THE RURAL ECONOMIES OF THE SOUTH PACIFIC DURING
THE NEXT FIVE TO TEN YEARS. THE SURVEY IS SCHEDULED FOR
IMPLEMENTATION THE FIRST HALF OF 1979 AND WILL REQUIRE
ABOUT FIVE MONTHS TO COMPLETE. THE SURVEY DESCRIPTION
APPEARS AS A REASONABLE BASIS FOR DEVELOPING THE TERMS

OF REFERENCE AND THE EXPERTISE ENVISAGED SEEMS APPROPRIATE.
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R66-78 DESCRIBING THE PROPOSED TA WAS POUCHED
TO ADDRESSEES JULY 26. BOARD CONSIDERATION IS SCHEDULED
AUGUST 24.

2. THE ADB'S AAS-2 CONDUCTED IN 1976 SPECIFICALLY OMITTED
THE SOUTH PACIFIC PRINCIPALLY BECAUSE THERE WAS A STRONG
FEELING THAT SOCIAL AND ECONOMIC DEVELOPMENT PATTERNS IN
THE SOIWH PACIFIC COUNTRIES WERE DISTINCTLY DIFFERENT
IN SEVERAL IMPORTANT RESPECTS FROM THOSE IN OTHER ASIAN
COUNTRIES. THERE WAS GENERAL AGREEMENT, HOWEVECLN AMONG
EXPERTS INVOLVED IN AAS-2 AND BANK MANAGEMENT AND STAFF
THAT THE SPECIAL FEATURES AND UNUSUAL DEVELOPMENT NEEDS
OF THE SOUTH PACIFIC DMCS WARRANTED A SEPARATE AGRICUL-
TURAL SURVEY BY EXPERTS FAMILIAR WITH THE REGION. THE
SIX DMCS ARE PAPUA NEW GUINEA, FIJI, COOK ISLANDS,
SOLOMON ISLANDS, TONGA AND WESTERN SAMOA. FURTHERMORE,
IT WAS SEEN THAT THE PROPOSED AGRICULTURE SURVEY WOULD
ALSO COMPLEMENT THE ESCAP-ADB-SPEC INDUSTRIAL SURVEY OF
THE SOUTH PACIFIC THAT ADB APPROVED EARLIER THIS YEAR.

3. AGRICULTURE, FORESTRY AND FISHING ARE THE MAIN
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PAGE 03 MANILA 13299 01 OF 03 030229Z

ECONOMIC ACTIVITIES IN THE SOUTH PACIFIC DMCS. MANU-
FACTURING CONTRIBUTES LESS THAN 10 PERCENT OF GROSS
DOMESTIC PRODUCT (GDP) IN PAPUA NEW GUINEA, SOLOMON
ISLANDS, TONGA AND WESTERN SAMOA AND LESS THAN 15 PERCENT
IN COOK ISLANDS AND FIJI. ONLY IN THE GILBERT ISLANDS
AND PAPUA NEW GUINEA DOES NON-AGRICULTURAL ACTIVITY (IN
THESE CASES, MINING) MAKE A SUBSTANTIAL CONTRIBUTION TO
NATIONAL OUTPUT, THOUGH ITS EMPLOYMENT IMPACT IS SMALL.
AGRICULTURAL, FOREST AND FISH PRODUCTS ACCOUNT FOR OVER
THREE QUARTERS OF THE TOTAL VALUE OF EXPORTS IN FIJI,
SOLOMON ISLANDS, TONGA AND WESTERN SAMOA, AND FOR OVER
HALF IN THE COOK ISLANDS. EVEN IN PAPUA NEW GUINEA,
WHERE COPPER IS A MAJOR EXPORT, AGRICULTURE, FORESTRY
AND FISHING CONTRIBUTE MORE THAN A THIRD OF TOTAL FOREIGN
EXCHANGE EARNINGS.

4. THE NON-MONETIZED SECTOR IS RELATIVELY LARGE IN
SEVERAL OF THE SOUTH PACIFIC ECONOMIES, AND IN SOME AREAS
PEOPLE HAVE ONLY RECENTLY BECOME INVOLVED IN CASH-EARNING
ACTIVITIES. THIS GIVES RISE TO CONSIDERABLE PROBLEMS OF
NATIONAL ACCOUNTING AND PRODUCTION ESTIMATION. THE
HISTORY OF MARKET TRADING IN MANY OF THESE COUNTRIES IS

QUITE SHORT. TRADITIONAL EXCHANGE PATTERNS REPRESENTED INTER-GROUP BARTER SYSTEMS WITH A STRONG ELEMENT OF PERSONAL CONTACT INVOLVED IN THE EXCHANGE PROCESS. SUBSISTENCE AGRICULTURE, WHICH STILL PROVIDES SUBSTANTIAL ECONOMIC SUPPORT FOR LARGE NUMBERS OF PEOPLE IN THE SOUTH PACIFIC DMCS, IS BASED ON THE PRODUCTION OF ROOTCROPS, RATHER THAN CEREALS, IN SMALL PLOTS UNDER SHIFTING CULTIVATION. FISHING, FOREST GATHERING AND THE HARVESTING OF PERENNIAL CROPS SUCH AS BANANAS AND COCONUTS SUPPLEMENT SUPPLIES FROM FOOD GARDENS. THE INCREASING INVOLVEMENT OF CULTIVATORS IN COMMERCIAL MARKETING, OF BOTH TRADITIONAL GARDEN-PRODUCE, E.G., SWEET POTATOES, TARO, YAMS, AND BANANAS, AND INTRODUCED CROPS GROWN ON A GARDEN BASIS MAINLY FOR EXPORT MARKETS, E.G., COFFEE AND COCOA, LIMITED OFFICIAL USE

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PAGE 04 MANILA 13299 01 OF 03 030229Z

HAS ALSO TENDED TO INCREASE PRESSURE ON LAND.

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PAGE 01 MANILA 13299 02 OF 03 030243Z
ACTION TRSE-00

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LIMITED OFFICIAL USE SECTION 02 OF 03 MANILA 13299

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5. IN MOST SOUTH PACIFIC DMCS, THERE ARE ALSO EXTENSIVE PLANTATIONS OF CASH CROPS, E.G., COFFEE, COCOA, COCONUT, OIL PALM, RUBBER, AND SUGAR, MANAGED ON AN ESTATE, OR MIXED SMALLHOLDER/ESTATE BASIS. THE AGRICULTURAL ECONOMY THUS HAS A PRONOUNCED DUAL STRUCTURE IN SEVERAL OF THESE COUNTRIES. IT IS DIFFERENTIATED INTO A MARKET-ORIENTED SUB-SECTOR RUN ON COMMERCIAL LINES, OFTEN WITH SUBSTANTIAL FOREIGN INVOLVEMENT, AND A SUBSISTENCE-ORIENTED SUB-SECTOR STRUCTURED IN ACCORDANCE WITH INDIGENOUS FORMS OF ORGANIZATION. AN IMPORTANT FEATURE OF RURAL INSTITUTIONS IN SEVERAL AREAS IS THE EMPHASIS PLACED ON THE DISTRIBUTION OF LOCAL PRODUCTION WITHIN THE COMMUNITY THROUGH VARIOUS SYSTEMS OF EXCHANGE. IN SOME CULTURES SUBSTANTIAL ACCUMULATION OF WEALTH BY LIMITED OFFICIAL USE

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PAGE 02 MANILA 13299 02 OF 03 030243Z

INDIVIDUALS FOR THEIR PRIVATE CONSUMPTION IS EVEN REGARDED AS ANTI-SOCIAL. SUCH VALUES AND ATTITUDES NOW APPEAR TO BE CHANGING AS THE ECONOMY IS "MODERNIZED" AND PEOPLE PERCEIVE NEW WANTS FOR, AND ARE GIVEN THE MEANS TO ACQUIRE, INDIVISIBLE DURABLE GOODS. TRADITIONAL SYSTEMS OF ECONOMIC AND SOCIAL ORGANIZATION ARE TENDING TO BREAK DOWN.

6. WHILE MAJOR DEVELOPMENT PROBLEMS IN THE SOUTH PACIFIC DMCS VARY CONSIDERABLY, THERE ARE CERTAIN COMMON CHARACTERISTICS THESE COUNTRIES SHARE. FOR EXAMPLE, THERE ARE NO INDIGENOUS FUEL ENERGY SOURCES APART FROM WOOD AND NO MINERALS OF ECONOMIC VALUE EXCEPT FOR THE GILBERT ISLANDS PHOSPHATE DEPOSITS WHICH ARE NOW VIRTUALLY EXHAUSTED. THE ONLY RESOURCES ARE AGRICULTURAL LAND AND FISH. IN CONNECTION WITH THE LATTER, THE OUTCOME OF THE UN CONFERENCE ON THE LAW OF THE SEA DEFINING FISHING RIGHTS AND ESTABLISHING NATIONAL JURISDICTION OVER SEABED MINERAL EXPLOITATION COULD BE OF GREAT SIGNIFICANCE FOR SMALL SOUTH PACIFIC COUNTRIES. THE GILBERT ISLANDS, PAPUA NEW GUINEA AND THE SOLOMON ISLANDS HAVE ALREADY DECLARED 200 MILE ECONOMIC ZONES. MOST COUNTRIES DEPEND ON FOREIGN SUPPLIES OF INPUTS AND HAVE ONLY ONE OR TWO PRIMARY COMMODITIES TO TRADE FOR THE BULK OF THEIR EXPORT EARNINGS. DESPITE THE LIMITED GROWTH POTENTIAL FOR PRODUCTION AND EMPLOYMENT IN THE URBAN AREAS, THE RATE OF RURAL TO URBAN MIGRATION IS HIGH IN MOST OF THE COUNTRIES. THIS HAS EXACERBATED DEPENDENCE ON IMPORTED FOOD, ESPECIALLY RICE, TO FEED THE GROWING POPULATION.

7. WITH ALL ITS PROBLEMS, THERE ARE STRATEGY CHOICES FOR AGRICULTURE AND RURAL DEVELOPMENT THAT THE SURVEY WILL

ADDRESS. THE ISSUES THE SURVEY WILL EXPLORE INCLUDE: (A)
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PAGE 03 MANILA 13299 02 OF 03 030243Z

INDIGENOUS AGRICULTURE SYSTEMS, (B) INTERNAL MARKETING CONSTRAINTS, AND (C) SCALE, ORGANIZATION AND TECHNOLOGY. THERE IS GROWING CONCERN AMONG AUTHORITIES ON THE SOUTH PACIFIC THAT TRADITIONAL METHODS OF FOOD PRODUCTION HAVE BEEN NEGLECTED AND THEIR POTENTIAL IGNORED. WAYS FOR MODIFYING THE SYSTEM ARE NEEDED TO ENABLE LOCAL CULTIVATORS TO COPE MORE SUCCESSFULLY WITH THE NEEDS OF AN EMERGENCY MARKET ECONOMY. THE PHYSICAL LIMITATIONS IN DEVELOPING EFFECTIVE TRANSPORT SYSTEMS ARE CONSIDERABLE. THE LIMITATIONS OF GEOGRAPHY AND GEOLOGY PRECLUDE THE PRODUCTION OF PERISHABLE OR BULKY FOODS WITHOUT HIGH UNIT MARKET COSTS AND IRREGULAR SUPPLIES FOR URBAN AREAS. THE THIRD ISSUE -- SCALE, ORGANIZATION AND TECHNOLOGY -- IMPACTS DIRECTLY ON THE LARGER QUESTION OF LARGE-SCALE MECHANIZED CULTIVATION VIS-A-VIS THE SMALL PRODUCER. IT APPEARS THAT THE BASIC ISSUE FOR SOME OF THESE COUNTRIES IS WHETHER TO ACCEPT, AND PROVIDE SUPPORT FOR, AN INCREASINGLY URBANIZED SOCIETY WHICH MAKES FOOD SELF-RELIANCE A COSTLY OBJECTIVE, OR TO ATTEMPT TO STEM INTERNAL MIGRATION IN ORDER TO MAINTAIN AN INTEGRATED RURAL-BASED ECONOMY.

8. THE SURVEY WILL COVER ALL SIX DMCS IN THE SOUTH PACIFIC WITH SOME MEMBERS OF THE TEAM ALSO VISITING NOUMEA FOR DISCUSSIONS WITH THE SOUTH PACIFIC COMMISSION. IT WILL BE CONCERNED WITH AGRICULTURE (BOTH NON-MARKET SUBSISTENCE AND COMMERCIAL), FORESTRY (INCLUDING FOREST GATHERING AND HUNTING ACTIVITIES), AND FISHING (BOTH MARINE AND INLAND). THE SURVEY WILL FOCUS ON IDENTIFICATION AND PRELIMINARY ASSESSMENT OF THE FEASIBILITY OF PROJECT DEVELOPMENT OPPORTUNITIES ON A COUNTRY-BY-COUNTRY BASIS. THE SURVEY TEAM WILL INCLUDE EXPERTISE IN (A) MACRO-ECONOMICS INCLUDING PUBLIC FINANCE, (B) AGRICULTURAL ECONOMIES, (C) SOCIAL ANTHROPOLOGY INCLUDING HUMAN GEOGRAPHY, (D) STATISTICS, (E) FOOD CROP AGRICULTURE/INDIGENOUS AGRICULTURAL SYSTEMS, (F) PLANTATION CROP AGRICULTURE, (G) LIVESTOCK, (H) FISHERIES, AND (I) FORESTRY. IN ADDITION TO THE REPORT
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PAGE 04 MANILA 13299 02 OF 03 030243Z

BY THE SURVEY TEAM, THE PROPOSED TA WILL ALSO PROVIDE FOR COMMISSION OF A NUMBER OF SO-CALLED RESOURCE PAPERS ON SPECIAL TOPICS RELEVANT TO THE SURVEY. THEIR PURPOSE IS

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PAGE 01 MANILA 13299 03 OF 03 040419Z
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LIMITED OFFICIAL USE SECTION 03 OF 03 MANILA 13299

C O R R E C T E D C O P Y (TEXT PARA NINE)

TO PROVIDE BACKGROUND MATERIAL ON CERTAIN SUBJECTS WHICH
MAY NOT WARRANT DETAILED CONSIDERATION DURING THE SURVEY
TEAM'S FIELD VISITS.

9. THE SURVEY IS SCHEDULED TO BE COMPLETED IN FIVE MONTHS.
THE TEAM MEMBERS WILL BE DIVIDED INTO THREE GROUPS TO
FACILITATE FIELD VISITS WITH THE TEAM LEADER AND AGRI-
CULTURAL ECONOMIST PRIMARILY RESPONSIBLE FOR PREPARING THE
FINAL REPORT. TOTAL INPUT IS ESTIMATED AT 36 MAN-MONTHS OF
WHICH 22 WILL BE PROVIDED BY BANK STAFF AND 14 THRU CON-
SULTANTS. THE ADVISORY GROUP'S MAIN FUNCTION AFTER THE
TEAM IS FIELDIED IS TO EVALUATE THE IMPLICATIONS OF THE
TEAM MEMBER'S INDIVIDUAL CONTRIBUTIONS AND PLAN AN INTE-
GRATED FINAL REPORT.

10. THE ESTIMATED TOTAL COST IS 257,000 DOLLARS. A MAJOR
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PAGE 02 MANILA 13299 03 OF 03 040419Z

PORTION OF THIS 174,250 DOLLARS, IS FOR SURVEY TEAM MEMBERS

PER DIEM AND TRAVEL AND IN THE CASE OF CONSULTANTS, REMUN-
ERATION AS WELL. THE COST FOR ADVISORY GROUP MEMBERS IS
30,900 DOLLARS; FOUR RESEARCH ASSISTANTS FOR FIVE MONTHS,
8,200 DOLLARS; BACKGROUND PAPERS, 5,200 DOLLARS;
SECRETARIAL AND OTHER COSTS, 5,100 DOLLARS; AND 33,350
DOLLARS IS PLANNED FOR CONTINGENCIES.

11. USADB COMMENT: THE SURVEY IS CLEARLY A PREREQUISITE
FOR ANY SYSTEMATIC PLANNING FOR AGRICULTURAL AND RURAL
DEVELOPMENT ACTIVITIES IN THE SIX DMCS IN THE SOUTH
PACIFIC. THE BANK PLANS TO PROVIDE THE BULK OF THE
EXPERTISE FOR THE TEAM, INCLUDING THE TEAM LEADER.
OUTSIDE CONSULTANTS WILL BE RECRUITED IN THE AREAS OF
SOCIAL ANTHROPOLOGY/HUMAN GEOGRAPHY, FOOD PLANT AGRI-
CULTURE/INDIGENOUS AGRICULTURAL SYSTEMS, PLANTATION CROP
AGRICULTURE AND POSSIBLY FISHERIES. IN THE EVENT THAT
POTENTIAL INVESTMENTS ARE IDENTIFIED IN THE SURVEY, A
NUMBER OF THE COUNTRIES WILL FACE FORMIDABLE PROBLEMS IN
IMPLEMENTING THEM. THE INSTITUTIONAL STRUCTURES IN THE
SOUTH PACIFIC ARE THEMSELVES IN A STATE OF TRANSITION.
THE SURVEY SHOULD HELP ACCUGARATE WOE PROCESS AS GOVERN-
MENTS BEGIN TO REALIZE THE LARGE TASK BEFORE THEM. ON
THE WHOLE THE SURVEY SHOULD BE A POSITIVE FACTOR IN
DEVELOPMENT IN THE SOUTH PACIFIC. THEREFORE, USADB
RECOMMENDS FAVORABLE NAC ACTION. EDMOND

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